

# **THE LEONARD LETTER**

*September 12, 2005*

## **QUOTE OF THE WEEK**

*"The care of human life and happiness, and not their destruction, is the first and only legitimate object of good government." --- Thomas Jefferson*

## **UNDER THE DOME**

### **\*\*\*End of Session Observations\*\*\***

The end of this year's legislative session demonstrated that our legislature could not produce meaningful policy. Instead, they resorted to symbolism. Yet even their symbols fell far short of voter expectations. The legislative leaders got the headline they wanted: homosexual marriages were to be legalized. Not only will this bill not become law, it will actually backfire on them and show just how out of touch the majority of legislators are. They got another headline they wanted, too: illegal aliens can get drivers' licenses. However, the Federal Real ID Act has overcome the California debate and what is really happening on the ground in California is a hostile reaction from both Democrat and Republican voters who will be asking legislators if they voted for the drivers' license bill. (I just found out that the bill would not take effect until 2009 even if signed.)

Sometimes powerful symbols can galvanize the public. There is a fair chance that these bills will do exactly that, but the energized voters will be voting exactly opposite of what the authors of these bills intended.

No legislator can now criticize the Governor's Live Within Our Means initiative. The legislature did not pass a single bill that would address the state's chronic budget issues, making the Governor's proposal the only game in town. He is the only one willing to confront an issue that is so much more than symbolism.

### **\*\*\*Birthday Display\*\*\***

Now that the Legislature is out of session and it is safe to visit Sacramento again, I encourage you to stop by the lobby of the Secretary of State's building (1500 11<sup>th</sup> Street, Sacramento). Last Friday, which was the Golden State's 155<sup>th</sup> birthday, California's original 1849 constitution was taken out of the state archives vault and placed on display there. This document outlawed slavery and gave property rights to women. I find it interesting that it also denied the legislature the right to grant divorces or authorize lotteries, and it required that all laws and governmental decrees were required to be published in both English and Spanish. One of the key flaws of this first constitution was its failure to deal adequately with taxes. The legislature thus could impose any tax it wanted and, according to historian Paul Mason, "as a result much capital had been driven from the State." Mason also noted that the constitution did not call for separate assembly and senate districts and "the expenditure of money was entirely unchecked." Our current constitution provides some protection from taxation (thanks to the voters, not the constitutional authors), but, unfortunately for us, expenditures are still mostly unimpeded-- no matter what the constitution formally says-- and legislative districts are still not under constitutional control.

### **\*\*\*Housing Summit\*\*\***

The challenge of housing all of the hurricane evacuees is tremendous, and its immediacy calls to the forefront California's non-emergency, but no less real, housing challenges. We have a housing shortage in this state and despite our fast-growing areas, we continue to see some of the best and brightest leaving the state because their housing dollar buys much, much more in other parts of the country. The U.S. Secretary of Housing and Urban Development, Alphonso Jackson, will join California's Housing Director Lucy Dunn, and Congressman Gary Miller in my district on Monday, September 19, to talk about how we can bring down the barriers to affordable housing. If you are interested in this topic, I encourage you to come to Ontario and share your views. For more information, see <http://www.cbpa.csusb.edu/register/>

## ISSUE FOCUS

### **\*\*\*No Fooling Mother Economics\*\*\***

Katrina offers many teachable moments. One of these has to do with the basic principle of supply and demand. For this, I heartily recommend an article by Rand Simberg published last week at the Tech Central Station site: <http://www2.techcentralstation.com/1051/defensewrapper.jsp?PID=1051-350&CID=1051-0902055>

Amid calls to have government cap prices or use force against those who raise their prices, we need to turn to basic Economics 101. Simberg does this beautifully: "It's really simple. In any locality, when the supply of a particular item is reduced with no change in demand, or the demand for it increased with no change in supply, or supply is decreased with a demand increase, prices will go up." When this happens, it is a signal to the market. To those who want the product, they need to rethink how badly the product is wanted. To the suppliers, it is a signal that more supply needs to be brought to the market. Government intervention can only upset these signals thereby causing worse problems than high prices.

## TAX TIPS

### **\*\*\*BoE Advocates Here to Help You\*\*\***

The staff of the Board's Taxpayer Rights Advocate Office assists taxpayers who have been unable to resolve a tax matter through normal channels. They can also provide information regarding appeal procedures, or advice when there appears to be rights violations by Board auditors or compliance staff. Taxpayers also call to convey their frustration, seek assurance or confirmation that a Board staff action is lawful and just. The TRA Office provides assistance to taxpayers and Board staff to facilitate better communication and to eliminate potential misunderstandings. Taxpayers are provided information on policies and procedures so they can be better prepared to discuss and resolve their issues with staff.

If you need help resolving a tax dispute, or if you have a question about a Board procedure, I urge you to contact the Taxpayer Rights Advocate Office:

450 N Street, MIC: 70  
Sacramento, CA 94279-0070  
[www.boe.ca.gov/tra/tra.htm](http://www.boe.ca.gov/tra/tra.htm)  
Toll Free (888) 324-2798

## MISCELLANY

### **\*\*\*A Good Read\*\*\***

While many a book about economics can be dull and abstract, a new offering by Steven D. Levitt and Stephen J. Dubner is entertaining and relevant to very real, everyday situations. “Freakonomics” is on bookshelves now and the authors discuss the premise that “if morality represents an ideal world, then economics represents the actual world.” Though the book has a controversial and disturbing discussion of abortion, it shows readers how to use basic economic thinking to understand the everyday world. A very amusing section of the book explains how and why sumo wrestlers cheat and provides the data to convince you. A more practical section of the book explains the incentives on real estate agents and how that affects you when you try to sell a home. “Freakonomics” cites a study that found that a real estate agent “keeps her own house on the market an average of ten extra days, waiting for a better offer, and sells it for over 3 percent more than your house—or \$10,000 on a sale of a \$300,000 house.... The problem is that the agent only stands to personally gain an additional \$150 by selling your house for \$10,000 more, which isn’t much reward to a lot of extra work.” The book also examines the incentives at work on school teachers facing discipline when their students do not perform well on tests, on drug dealers, and on parents choosing a name for their newborn. Any college students struggling with Econ 101 should spend some time with this book to see how the discipline can be applied to many social, political and cultural questions and provide fascinating views of the choices people make.

## **BOE AND LEGISLATIVE DATES**

**September 20-21, 2005** --- BoE meets in Culver City.

**September 21, 2005** --- Taxpayers’ Bill of Rights Hearing in Culver City.

**October 9, 2005**---Last day for the Governor to sign or veto bills adopted by the Legislature before its September 9<sup>th</sup> adjournment

**October 18, 2005** --- BoE meets with county assessors in Monterey.

**October 25, 2005** --- Taxpayers’ Bill of Rights Hearing in Sacramento.

**October 25-26, 2005** --- BoE meets in Sacramento.

## **NOTABLE DATES/ HISTORY**

**September 12, 1868** --- Civil rights activist Tunis Campbell and all other African-Americans in Georgia Senate (all Republicans) were expelled by the Democrat majority. They were later reinstated by Congress.

**September 13, 1788** --- New York City became the capital of the United States.

**September 13, 1789** --- The first loan was made to the U.S. government (from NYC banks).

**September 14, 1752** --- England and its colonies adopted the Gregorian calendar, making 11 days disappear.

**September 14, 1814** --- Francis Scott Key was inspired to write “The Star-Spangled Banner.”

**September 14, 1847** --- U.S. troops under the command of General Scott entered Mexico City.

**September 15, 1950** --- During the Korean conflict, UN forces landed at Inchon in the south.

**September 16, 1782** --- The Great Seal of the U.S. was used for the first time.

**September 16, 1810** --- Hidalgo began the Mexican revolt against Spain.

**September 16, 1858** --- The first overland mail arrived in California.

**September 16, 1919** --- The American Legion was incorporated by an act of Congress.

**September 16, 1983** --- Arnold Schwarzenegger became a U.S. citizen.

**September 17, 1776** --- The Presidio of San Francisco formed as a Spanish fort.

**September 17, 1787** --- The U.S. Constitution was adopted by delegates to the constitutional convention in Philadelphia.

**September 17, 1862** --- The Battle of Sharpsburg (Antietam) was fought. It was the bloodiest day of the Civil War.

**September 17, 1950** --- The San Francisco 49ers (formerly AAFC) played their first NFL game, losing 21-17.

**September 17, 1972** --- BART began passenger service in San Francisco.

**September 17, 1976** --- NASA publicly unveiled the space shuttle Enterprise in Palmdale, CA.

**September 17, 1986** --- The U.S. Senate confirmed William Rehnquist as the 16th chief justice.

**September 18, 1793** --- George Washington laid the cornerstone of the U.S. Capitol building.

**September 18, 1882** --- The Pacific Stock Exchange opened (as the Local Security Board).

## GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115  
TDD service for the hearing impaired  
TDD phones: 800-735-2929  
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

## HOW TO CONTACT ME

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